RED OAK CONSULTING
A DIVISION OF MALCOLM PIRNIE

MEMORANDUM

To: John Goodrich, City of Tigard **Date:** December 13, 2010

From: Joe Healy, Red Oak Consulting

Re: **Tigard Water System Development Charge – Staff Phase-In Request**

Introduction

In response to a request from the City of Tigard (City), Red Oak Consulting (Red Oak) prepared a phase-in schedule for the recommended system development charges (SDCs), which were calculated as part of the City's water system development charge update. The details and methodology underlying the SDC update are included in a separate methodology document.

SDC Phase-In Options

The phase-in schedule outlined in this memo is a 3-step, 2-year phase in for the recommended SDCs. Under the phase-in schedule, Red Oak recommends the City reduce the improvement fee only. Reimbursement fee collections are not required for spending on specific capital projects, so the City has more discretion on using those funds. Therefore, we recommend phasing in the improvement fee portion of the SDCs.

Proposed System Development Charges

As a point of reference, Table 1 provides the maximum allowable SDCs per equivalent dwelling unit (EDU) recommended for FY2011. Red Oak also recommends adjusting SDCs annually to keep pace with construction cost inflation.

Table 1: Recommended SDCs per EDU (Maximum allowable under Oregon Law)

Reimbursement	Improvement	Total
$2,936	$3,538	$6,474

SDC Phase-In Schedule

Table 2 provides projections of SDCs per EDU for the 2-year phase-in period. Under this scenario, the City would reduce the improvement fee portion of the proposed SDC per EDU by 50% in FY2011. By FY2013, the maximum allowable SDCs would be implemented by phasing-in the voluntary reduction in halves.

Table 2: Phase-In SDCs per EDU by Year

Year	Reimbursement	Improvement *	Total
FY2011	$2,936	$1,769	$4,705
FY2012	2,936	2,654	5,590
FY2013	2,936	3,538	6,474

* FY2011 voluntary reduction: 50%

SDC Revenue Comparison

Table 3 provides a comparison of projected SDC revenue under each alternative. The projections of new EDUs are based on analysis of the City's current meters, billing data, and growth projections which are being used in other parts of the water rate study and water SDC update study.

Table 3: SDC Revenue Comparison by Year

Year	New EDUs	Calculated Max.	Phase-In
FY2011	0	$0	$0
FY2012	86	556,732	480,697
FY2013	87	563,205	563,238
Total Revenues		$1,119,937	$1,043,935
Reduction from Max. Allowable			($76,002)

Conclusions

There are opportunity costs of the phase-in schedule presented in this memo. However, the difference in lost SDC revenue between the maximum allowable and the phase-in alternative is minimal relative to the City's capital and financing program over this same period. Growth is projected to be slow over the time horizon outlined in this memo. The current building environment provides the City with a good opportunity to work with the HBA and phase-in the proposed SDCs.

Detailed SDCs by meter size are provided in the tables below. For connections to the water system with meters larger than 2-inches, the City will forecast the demands on an average-day, peak-day, and peak-hour basis. The number of EDUs associated with the demands will be determined following the adopted methodology.

Table 4: Maximum Allowable SDCs by Meter Size

Meter Size	Reimbursement	Improvement	Total
5/8 x 3/4 Inch	$2,936	$3,538	$6,474
1 Inch	7,832	9,438	17,270
1.5 Inch	23,483	28,298	51,780
2 Inch	38,131	45,950	84,081

Table 5: 3-step, 2-year Phase-in SDCs by Meter Size

Meter Size	Reimbursement	Improvement	Total
FY2011			
5/8 x 3/4 Inch	$2,936	$1,769	$4,705
1 Inch	7,832	4,719	12,551
1.5 Inch	23,483	14,149	37,632
2 Inch	38,131	22,975	61,106
FY2012			
5/8 x 3/4 Inch	$2,936	$2,654	$5,590
1 Inch	7,832	7,078	14,910
1.5 Inch	23,483	21,223	44,706
2 Inch	38,131	34,462	72,593
FY2013			
5/8 x 3/4 Inch	$2,936	$3,538	$6,474
1 Inch	7,832	9,438	17,270
1.5 Inch	23,483	28,298	51,780
2 Inch	38,131	45,950	84,081